

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Lansing	County Ingham
Audit Date 12/31/05	Opinion Date 3/24/06	Date Accountant Report Submitted to State: 6/1/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		ZIP 48823	
Accountant Signature <i>Abraham & Gaffney, P.C.</i>		Date 5/31/06	

**Charter Township of Lansing
Ingham County, Michigan**

FINANCIAL STATEMENTS

December 31, 2005

Charter Township of Lansing

Ingham County, Michigan

December 31, 2005

BOARD OF TRUSTEES

John Daher

Supervisor

Susan Aten

Clerk

Kathleen Rodgers

Treasurer

Howard Love

Trustee

Tom Masseau, Jr.

Trustee

Joseph Sambaer

Trustee

Leo Rodgers

Trustee

Charter Township of Lansing
Ingham County, Michigan

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Charter Township of Lansing
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Lansing, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Lansing, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Lansing's financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 24, 2006

Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The following is a discussion and analysis of the Charter Township of Lansing's (the Township's) financial performance and position, providing an overview of the activities for the year ended December 31, 2005. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Township's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets as of December 31, 2005, were \$3,521,821 (excluding component units).
- Governmental activities net assets were \$1,123,239.
- Business-type activity net assets were \$2,398,582.
- Component unit net assets were \$42,451.

Fund Level:

- At the close of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$2,364,886 with \$1,796,389 being reserved, designated, or otherwise earmarked for specific purposes (for example debt service).
- The General Fund realized \$8,484 more in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$96,994 less than appropriated.
- Overall, the General Fund's fund balance decreased \$109,406.

Capital and Long-term Debt Activities:

- The net book value of capital assets used in governmental and business-type activities decreased by \$93,698 and \$138,966, respectively, during the fiscal year.
- The primary government had no new debt issues for the year.
- The total long-term debt for the primary government was \$5,019,362, a net decrease of \$350,484 from the prior year.
- The Township remains well below its authorized legal debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's annual financial report. The annual financial report of the Township consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), 4) *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and 5) *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and other financial data.

Government-wide Financial Statements (Reporting the Township as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Township as a whole, and about its activities. Their purpose is to assist in answering the question, is the Township, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all nonfiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The Statement of Net Assets (page 1) presents all of the Township's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Township's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Township's net assets changed during 2005. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee vacation leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Township's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Township's general government departments, public safety, public works, health and welfare (ambulance), economic development, township improvements, street improvements, recreation activities, and other township wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Township charges fees to recover the cost of the services provided. The West Side Water District is the Township's only business-type activity.
- **Discretely Presented Component Units** - Discretely presented component units are legally separate organizations for which the Township Board of Trustees appoints a majority of the organization's policy board and there is a degree of financial accountability to the Township. One organization is included as a discretely presented component unit: the Downtown Development Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

In addition, it should be noted that the government-wide financial statements include the net value of the Township's general capital assets such as buildings, land, vehicles, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the Township's Major Funds)

The fund financial statements, which begin on page 3, provide information on the Township's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

The major funds for the Charter Township of Lansing include the General Fund, the Tollgate Drain Debt Service Fund, and the West Side Water District Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

Charter Township of Lansing
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The Township's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the Township's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Township's programs. Governmental funds include the General Fund, as well as Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.
- **Proprietary Funds** - Services for which the Township charges customers (whether outside the Township structure or a Township department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. An example is the West Side Water District Fund.
- **Fiduciary Funds** - The Township may act as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The Township's fiduciary activities are reported in the separate Statement of Net Assets on page 10. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the Township to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 12 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together and presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

As previously stated, the Charter Township of Lansing combined net assets were \$3,521,821 at the end of this fiscal year's operations. The net assets of the governmental activities were \$1,123,239; the business type activities were \$2,398,582.

Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Net Assets as of December 31, 2005 and December 31, 2004

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 6,157,815	\$ 6,560,975	\$ 516,812	\$ 501,867	\$ 6,674,627	\$ 7,062,842
Capital Assets	<u>1,438,881</u>	<u>1,532,579</u>	<u>3,445,555</u>	<u>3,584,521</u>	<u>4,884,436</u>	<u>5,117,100</u>
Total Assets	<u>\$ 7,596,696</u>	<u>\$ 8,093,554</u>	<u>\$ 3,962,367</u>	<u>\$ 4,086,388</u>	<u>\$ 11,559,063</u>	<u>\$ 12,179,942</u>
Current Liabilities	\$ 2,973,571	\$ 3,134,650	\$ 449,829	\$ 497,428	\$ 3,423,400	\$ 3,632,078
Noncurrent Liabilities	<u>3,499,886</u>	<u>3,960,710</u>	<u>1,113,956</u>	<u>1,198,846</u>	<u>4,613,842</u>	<u>5,159,556</u>
Total Liabilities	<u>\$ 6,473,457</u>	<u>\$ 7,095,360</u>	<u>\$ 1,563,785</u>	<u>\$ 1,696,274</u>	<u>\$ 8,037,242</u>	<u>\$ 8,791,634</u>
Net Assets						
Invested in Capital Assets (net of related debt)	\$ 1,388,881	\$ 1,457,579	\$ 2,298,389	\$ 2,345,188	\$ 3,687,270	\$ 3,802,767
Restricted	1,158,781	1,209,755	-	-	1,158,781	1,209,755
Unrestricted	<u>(1,424,423)</u>	<u>(1,669,140)</u>	<u>100,193</u>	<u>44,926</u>	<u>(1,324,230)</u>	<u>(1,624,214)</u>
Total Net Assets	<u>\$ 1,123,239</u>	<u>\$ 998,194</u>	<u>\$ 2,398,582</u>	<u>\$ 2,390,114</u>	<u>\$ 3,521,821</u>	<u>\$ 3,388,308</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Township's primary government net assets changed during the fiscal year.

Changes in Net Assets for the Fiscal Years Ended December 31, 2005 and December 31, 2004

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program Revenues						
Charges for Services \$	713,109	\$ 523,682	\$ 725,753	\$ 761,550	\$ 1,438,862	\$ 1,285,232
Grants & Contributions	166,708	767,934	-	-	166,708	767,934
General Revenues						
Property Taxes	2,296,276	2,334,952	-	-	2,296,276	2,334,952
State Shared Revenue	725,974	732,652	-	-	725,974	732,652
Investment Earnings	172,723	171,551	9,963	6,724	182,686	178,275
Miscellaneous	<u>24,458</u>	<u>39,451</u>	<u>-</u>	<u>-</u>	<u>24,458</u>	<u>39,451</u>
Total Revenues	4,099,248	4,570,222	735,716	768,274	4,834,964	5,338,496

Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Changes in Net Assets for the Fiscal Years Ended December 31, 2005 and December 31, 2004 - continued

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Expenses						
General Government	\$ 971,852	\$ 983,423	\$ -	\$ -	\$ 971,852	\$ 983,423
Public Safety	1,821,984	1,829,068	-	-	1,821,984	1,829,068
Public Works	174,159	315,317	-	-	174,159	315,317
Health & Welfare	1,139,067	1,077,069	-	-	1,139,067	1,077,069
Community & Economic Dev.	6,485	6,987	-	-	6,485	6,987
Recreation & Cultural	35,620	22,487	-	-	35,620	22,487
Other	<u>141,103</u>	<u>128,084</u>	<u>727,248</u>	<u>757,769</u>	<u>868,351</u>	<u>885,853</u>
Total Expenses	<u>4,290,270</u>	<u>4,362,435</u>	<u>727,248</u>	<u>757,769</u>	<u>5,017,518</u>	<u>5,120,204</u>
Change in Net Assets	(191,022)	207,787	8,468	10,505	(182,554)	218,292
Net Assets - Beginning	998,194	790,407	2,390,114	2,379,609	3,388,308	3,170,016
Prior Period Adjustment	<u>316,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,067</u>	<u>-0-</u>
Net Assets - Ending	<u>\$ 1,123,239</u>	<u>\$ 998,194</u>	<u>\$ 2,398,582</u>	<u>\$ 2,390,114</u>	<u>\$ 3,521,821</u>	<u>\$ 3,388,308</u>

Governmental Activities:

The result of 2005 governmental activity was an increase of \$191,022 in net assets to \$1,123,239. Of the total governmental activities' net assets, \$1,388,881 is invested in capital assets less related debt, \$1,158,781 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Township government. Because the restrictions on net assets and the amount invested in capital exceed the difference between total assets and total liabilities, the amount of "unrestricted" net assets is negative \$1,424,423.

Revenues:

The two largest revenue categories for governmental activities were State Shared Revenue at 18% and property taxes at 56%. The Township levied a property tax millage for the year ended December 31, 2005, for general government operations at 7.3725 mills and additional amounts for debt services, which is not assigned to any particular activity.

Expenses:

Public Safety is the largest area of government activity, expending approximately 42% of the governmental activities total on law enforcement, fire protection, and code enforcement. Health and Welfare is the second largest governmental activity, expending approximately 27% of the governmental activities total and includes the Township's ambulance operations.

Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Business-type Activities:

Net assets of the business-type activities increased by \$8,468 during fiscal year 2005. Of the business-type activities' net assets, \$2,298,389 is invested in capital assets net of related debt and \$100,193 is listed as unrestricted, having no legal commitment.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S MAJOR
AND NONMAJOR GOVERNMENTAL FUNDS**

As the Township completed 2005, its governmental funds reported *combined* fund balances of \$2,364,886. This is a net decrease from the prior year of \$207,571. The net changes are summarized in the following chart:

	General Fund	Tollgate Drain Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 12/31/04	\$ 438,386	\$ 1,047,404	\$ 1,086,667	\$ 2,572,457
Fund Balance 12/31/05	\$ 328,980	\$ 988,867	\$ 1,047,039	\$ 2,364,886
Net Change	\$ (109,406)	\$ (58,537)	\$ (39,628)	\$ (207,571)

General Fund:

The General Fund is the chief operating fund of the Township. Unless otherwise required by statute, contractual agreement or Board policy, all Township revenues and expenditures are recorded in the General Fund. As of December 31, 2005, the General Fund reported a fund balance of \$328,980. This amount is a decrease of \$109,406 from the fund balance of \$438,386 reported as of December 31, 2004. The 2005 original budget had called for a \$245,099 use of fund balance. \$256,788 of the fund balance is reported as undesignated.

General Fund Budgetary Highlights:

The Township's budget is an extremely flexible document. Although adopted in September (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy.

Capital Asset and Debt Administration:

Capital Assets. At the end of the fiscal year, the Township had approximately \$4,884,436 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities.

Long-term Debt. The Township's long-term debt totaled \$5,202,556. This amount includes obligations related to the Tollgate Drain totaling \$2,896,772, water system bonds totaling \$1,135,000, a Note Payable of \$12,166, an additional ambulance lease of the component unit of \$36,266 and amounts due to the Capital Area Transportation Authority of \$46,564.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Current Economic Factors

- State revenue sharing has declined over \$223,000 over the past four years, and may face additional cuts due to state budget problems.
- Property tax revenue has not kept pace with inflation and in 2005 the Township was subject to the Headley Rollback and our tax revenue was down even more.
- Investment earnings began to rise as the interest rates increased over the course of the last twelve months and we did see some gains in interest income for the General Fund and some of the other funds of the Township. Of course it was not nearly enough to offset the losses in state revenue sharing and the Headley Rollback.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Utility costs are rising faster than the rate of inflation.
- Hazard/Liability Insurance costs are rising faster than the rate of inflation.

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Charter Township of Lansing Treasurer's Office at (517) 485-7115.

BASIC FINANCIAL STATEMENTS

Charter Township of Lansing

STATEMENT OF NET ASSETS

December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,181,677	\$ 202,905	\$ 1,384,582	\$ 609,907
Investments	474,567	-	474,567	-
Receivables	2,955,350	228,723	3,184,073	671,570
Internal balances	(2,792)	2,792	-0-	-
Due from other governmental units	281,227	750	281,977	23,433
Inventories	-	9,654	9,654	-
Prepays	72,192	17,078	89,270	-
Total current assets	4,962,221	461,902	5,424,123	1,304,910
Noncurrent assets				
Cash and cash equivalents - restricted	-	26,795	26,795	-
Investments	1,105,594	118,115	1,223,709	-
Internal balances	90,000	(90,000)	-0-	-
Capital assets not being depreciated	12,411	27,701	40,112	-
Capital assets, net of accumulated depreciation	1,426,470	3,417,854	4,844,324	-
Total noncurrent assets	2,634,475	3,500,465	6,134,940	-0-
TOTAL ASSETS	7,596,696	3,962,367	11,559,063	1,304,910
LIABILITIES				
Current liabilities				
Accounts payable	148,595	21,126	169,721	310,819
Accrued liabilities	82,778	4,165	86,943	-
Accrued interest payable	48,407	13,888	62,295	784
Due to other governmental units	-	314,911	314,911	30,814
Deferred revenue	2,357,215	-	2,357,215	736,848
Current portion of compensated absences	31,000	3,573	34,573	-
Current portion of long-term debt	305,576	92,166	397,742	54,407
Total current liabilities	2,973,571	449,829	3,423,400	1,133,672
Noncurrent liabilities				
Payable from restricted cash - customer deposits	-	26,795	26,795	-
Noncurrent portion of compensated absences	392,126	32,161	424,287	-
Noncurrent portion of long-term debt	3,107,760	1,055,000	4,162,760	128,787
Total noncurrent liabilities	3,499,886	1,113,956	4,613,842	128,787
TOTAL LIABILITIES	6,473,457	1,563,785	8,037,242	1,262,459
NET ASSETS				
Invested in capital assets, net of related debt	1,388,881	2,298,389	3,687,270	-
Restricted for debt retirement	1,077,989	-	1,077,989	-
Restricted for other purposes	80,792	-	80,792	-
Unrestricted	(1,424,423)	100,193	(1,324,230)	42,451
TOTAL NET ASSETS	\$ 1,123,239	\$ 2,398,582	\$ 3,521,821	\$ 42,451

See accompanying notes to financial statements.

Charter Township of Lansing

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Component Unit
Primary government							
Governmental activities							
General government	\$ 971,852	\$ 310,804	\$ 11,000	\$ 24,000	\$ (626,048)	\$ -	\$ -
Public safety	1,821,984	521	3,371	83,050	(1,735,042)	-	-
Public works	174,159	83,180	-	45,287	(45,692)	-	-
Health and welfare	1,139,067	269,103	-	-	(869,964)	-	-
Community and economic development	6,485	49,501	-	-	43,016	-	-
Recreation and cultural	35,620	-	-	-	(35,620)	-	-
Interest expense	141,103	-	-	-	(141,103)	-	-
Total governmental activities	4,290,270	713,109	14,371	152,337	(3,410,453)	-0-	-0-
Business-type activities							
West Side Water District	727,248	725,753	-	-	-	(1,495)	-
Total primary government	\$ 5,017,518	\$ 1,438,862	\$ 14,371	\$ 152,337	(3,410,453)	(1,495)	-0-
Component unit							
Downtown Development Authority	\$ 387,468	\$ -0-	\$ -0-	\$ -0-	-0-	-0-	(387,468)
General revenues							
Property taxes					2,296,276	-	614,788
State shared revenue					725,974	-	-
Investment earnings					172,723	9,963	4,798
Miscellaneous					26,360	-	-
Special item - Loss on disposal of capital assets					(1,902)	-	-
Total general revenues and special item					3,219,431	9,963	619,586
Change in net assets					(191,022)	8,468	232,118
Net assets, beginning of the year					998,194	2,390,114	(6,007)
Prior period adjustment					316,067	-	(183,660)
Net assets, end of the year					\$ 1,123,239	\$ 2,398,582	\$ 42,451

See accompanying notes to financial statements.

Charter Township of Lansing

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

	General	Tollgate Drain Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 558,003	\$ 138,923	\$ 484,751	\$ 1,181,677
Investments	172,318	940,163	467,680	1,580,161
Receivables				
Accounts	225,567	-	-	225,567
Taxes	1,561,974	-	90,951	1,652,925
Special assessments	-	738,470	338,388	1,076,858
Due from other funds	-	-	6,867	6,867
Advance to other funds	-	-	90,000	90,000
Due from other governmental units				
State	250,413	-	-	250,413
Local	30,814	-	-	30,814
Prepays	72,192	-	-	72,192
TOTAL ASSETS	\$ 2,871,281	\$ 1,817,556	\$ 1,478,637	\$ 6,167,474
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 69,986	\$ 78,609	\$ -	\$ 148,595
Accrued payroll	54,499	-	-	54,499
Accrued liabilities	8,028	20,251	-	28,279
Due to other funds	2,792	-	6,867	9,659
Deferred revenue	2,406,996	729,829	424,731	3,561,556
TOTAL LIABILITIES	2,542,301	828,689	431,598	3,802,588
FUND BALANCES				
Reserved for				
Prepays	72,192	-	-	72,192
Debt service	-	988,867	137,529	1,126,396
Capital projects	-	-	597,801	597,801
Unreserved				
Undesignated, reported in				
General fund	256,788	-	-	256,788
Special revenue funds	-	-	134,043	134,043
Capital projects funds	-	-	177,666	177,666
TOTAL FUND BALANCES	328,980	988,867	1,047,039	2,364,886
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,871,281	\$ 1,817,556	\$ 1,478,637	\$ 6,167,474

See accompanying notes to financial statements.

Charter Township of Lansing

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2005

Total fund balance - governmental funds **\$ 2,364,886**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,896,051	
Accumulated depreciation is	<u>(2,457,170)</u>	
Capital assets, net		1,438,881

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	1,204,341
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.

Long-term liabilities at year-end consist of:

Bonds and notes payable	(3,413,336)	
Accrued interest payable	(48,407)	
Compensated absences	<u>(423,126)</u>	
		<u>(3,884,869)</u>

Net assets of governmental activities **\$ 1,123,239**

See accompanying notes to financial statements.

Charter Township of Lansing

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	General	Tollgate Drain Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,434,038	\$ -	\$ 48,948	\$ 2,482,986
Licenses and permits	119,973	-	12,330	132,303
Intergovernmental	819,024	-	-	819,024
Charges for services	284,225	-	-	284,225
Fines and forfeits	4,740	-	-	4,740
Interest and rents	92,691	80,081	36,896	209,668
Other	24,116	176,377	104,678	305,171
TOTAL REVENUES	3,778,807	256,458	202,852	4,238,117
EXPENDITURES				
Current				
General government	930,140	-	-	930,140
Public safety	2,806,829	-	-	2,806,829
Public works	29,579	-	127,518	157,097
Health and welfare	45,678	-	-	45,678
Community and economic development	6,485	-	-	6,485
Recreation and cultural	20,582	-	-	20,582
Capital outlay	-	-	52,880	52,880
Debt service	-	358,348	67,649	425,997
TOTAL EXPENDITURES	3,839,293	358,348	248,047	4,445,688
EXCESS OF REVENUES (UNDER) EXPENDITURES	(60,486)	(101,890)	(45,195)	(207,571)
OTHER FINANCING SOURCES (USES)				
Transfers in	12,330	43,353	66,550	122,233
Transfers out	(61,250)	-	(60,983)	(122,233)
TOTAL OTHER FINANCING SOURCES (USES)	(48,920)	43,353	5,567	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(109,406)	(58,537)	(39,628)	(207,571)
Fund balances, beginning of year	438,386	1,047,404	1,086,667	2,572,457
Fund balances, end of year	<u>\$ 328,980</u>	<u>\$ 988,867</u>	<u>\$ 1,047,039</u>	<u>\$ 2,364,886</u>

See accompanying notes to financial statements.

Charter Township of Lansing

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Net change in fund balances - total governmental funds \$ (207,571)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 98,045	
Depreciation expense	<u>(213,841)</u>	
Excess of depreciation expense over capital outlay		(115,796)

Loss on disposal of capital assets		(1,902)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(160,967)
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Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Principal retirement		282,856
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Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contributions		24,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	2,038	
(Increase) in compensated absences	<u>(13,680)</u>	
		<u>(11,642)</u>

Change in net assets of governmental activities		<u><u>\$ (191,022)</u></u>
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See accompanying notes to financial statements.

Charter Township of Lansing
Proprietary Funds
STATEMENT OF NET ASSETS
December 31, 2005

	<u>West Side Water District</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 202,905
Accounts receivable	227,657
Delinquent utilities receivable	1,066
Inventories	9,654
Prepays	17,078
Due from other governmental units - local	750
Due from other funds	<u>2,792</u>
Total current assets	461,902
Noncurrent assets	
Cash and cash equivalents - restricted	26,795
Investments	118,115
Capital assets not being depreciated	27,701
Capital assets, net of accumulated depreciation	<u>3,417,854</u>
Total noncurrent assets	<u>3,590,465</u>
TOTAL ASSETS	4,052,367
LIABILITIES	
Current liabilities	
Accounts payable	21,126
Accrued liabilities	4,165
Accrued interest payable	13,888
Due to other governmental units - local	314,911
Current portion of compensated absences	3,573
Current portion of long-term debt	<u>92,166</u>
Total current liabilities	449,829
Noncurrent liabilities	
Advance from other funds	90,000
Payable from restricted cash - customer deposits payable	26,795
Noncurrent portion of compensated absences	32,161
Noncurrent portion of long-term debt	<u>1,055,000</u>
Total noncurrent liabilities	<u>1,203,956</u>
TOTAL LIABILITIES	1,653,785
NET ASSETS	
Invested in capital assets, net of related debt	2,298,389
Unrestricted	<u>100,193</u>
TOTAL NET ASSETS	<u>\$ 2,398,582</u>

See accompanying notes to financial statements.

Charter Township of Lansing

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	<u>West Side Water District</u>
OPERATING REVENUES	
Charges for services	\$ 604,224
Collection fees and other charges	82,959
Rents	32,100
Other	<u>6,470</u>
TOTAL OPERATING REVENUES	725,753
OPERATING EXPENSES	
Salaries and wages	217,833
Fringe benefits	66,771
Water purchases	105,295
Fuel and utilities	16,581
Operating supplies	23,147
Contractual services	33,277
Insurance	23,950
Repairs and maintenance	18,861
Rent	13,833
Transportation	5,766
Other	6,031
Depreciation	<u>152,373</u>
TOTAL OPERATING EXPENSES	<u>683,718</u>
OPERATING INCOME	42,035
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	9,963
Interest expense	(40,781)
Unrealized (loss) on investments	<u>(2,749)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(33,567)</u>
CHANGE IN NET ASSETS	8,468
Net assets, beginning of year	<u>2,390,114</u>
Net assets, end of year	<u><u>\$ 2,398,582</u></u>

See accompanying notes to financial statements.

Charter Township of Lansing
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended December 31, 2005

	West Side Water District
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 739,264
Cash paid to suppliers	(305,494)
Cash paid to other funds	(5,650)
Cash paid for employee benefits	(66,771)
Cash paid to employees	(206,169)
NET CASH PROVIDED BY OPERATING ACTIVITIES	155,180
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital purchases	(13,407)
Interest expense	(40,781)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(54,188)
CASH FLOWS FROM INVESTING ACTIVITIES	
Maturity of investments	65,720
Unrealized loss on investment	(2,749)
Interest revenue	9,963
Principal payments	(92,167)
NET CASH (USED) BY INVESTING ACTIVITIES	(19,233)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	81,759
Cash and cash equivalents, beginning of year	147,941
Cash and cash equivalents, end of year	\$ 229,700
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 42,035
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	152,373
Decrease in receivables	14,071
(Increase) in prepaids	(5,382)
(Increase) in inventories	(1,195)
(Increase) in due from other governmental units	(750)
(Increase) in due from other funds	(1,056)
(Decrease) in due to other funds	(4,594)
(Decrease) in due to other governmental units	(58,382)
Increase in accounts payable	7,659
Increase in accrued liabilities	805
(Decrease) in accrued interest payable	(703)
Increase in accrued compensated absences	10,859
(Decrease) in customer deposits	(560)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 155,180

See accompanying notes to financial statements.

Charter Township of Lansing

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Employee Sick Leave and Retirement	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 941,719
Investments	66,055	1,187
TOTAL ASSETS	<u>\$ 66,055</u>	<u>\$ 942,906</u>
LIABILITIES		
Due to other governmental units		
Local	<u>\$ -</u>	<u>\$ 942,906</u>
NET ASSETS		
Held in trust for employee benefits	<u>\$ 66,055</u>	

See accompanying notes to financial statements.

Charter Township of Lansing

Fiduciary Funds

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2005

	Employee Sick Leave and Retirement
ADDITIONS	
Interest	<u>\$ 1,348</u>
TOTAL CHANGE IN NET ASSETS	1,348
Net assets, beginning of year	<u>64,707</u>
Net assets, end of year	<u><u>\$ 66,055</u></u>

See accompanying notes to financial statements.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Lansing, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Supervisor and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including water and sewer, general government, law enforcement, fire protection and prevention, maintenance of highway, streets and bridges, and community enrichment.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Charter Township of Lansing (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Units

- a. Building Authority - The Building Authority is governed by a three (3) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of the Township's public buildings.
- b. West Side Water District - The West Side Water District is governed by a six (6) member board appointed by the Township Supervisor and approved by the Township board. The District (Enterprise Fund) accounts for the operations of the Township water system. Revenues are derived primarily from user fees based on water usage. The enterprise fund also bills, collects, and remits sewer fees for the City of Lansing and Delta Township.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Charter Township of Lansing contain all the funds controlled by the Township Board.

3. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the Charter Township of Lansing remains financially accountable for this entity.

The governing body of the Downtown Development Authority is appointed by the Township Board. The Authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt, the construction of public facilities, and the promotion and facilitation of economic growth in the development district. The Authority's budget and debt issuance is subject to the approval of the Township Board.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component unit as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Tollgate Drain Debt Service Fund is used to account for special assessments and debt service associated with the Tollgate Drainage District.
- c. The West Side Water Fund is used to account for the operations of the Township water system. Revenues are derived primarily from user fees based on water usage. The enterprise fund also bills, collects, and remits sewer fees for the City of Lansing and Delta Township.

5. Measurement Focus

The government-wide, proprietary, and nonagency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to September 1, the Supervisor submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of an ordinance. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Cash and Cash Equivalents - Restricted

The Township restricted cash is for utility customer deposits being held by the Township.

10. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessments, and taxes levied that have not been collected.

11. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 25 years
Buildings and improvements	10 - 40 years
Machinery, equipment, and furniture	5 - 30 years
Vehicles	5 - 15 years
Water and sewer systems	10 - 75 years

12. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2005 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2005, but which are levied to finance year 2006 operations and sewer tap-in fees the Township received for services it has not yet provided. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements report deferred revenues that are unavailable to liquidate liabilities of the current period.

16. Property Tax

The Charter Township of Lansing bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied on December 1. The tax levies are due February 14. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1 of the year following the levy. The Ingham County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2005 tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$7.75 per \$1,000 of taxable valuation for general governmental services. For the year ended December 31, 2005, the Township levied 7.3725 mills for general governmental services and additional amounts for debt services. The total taxable value for the 2004 levy for property within the Township was \$306,568,045.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

18. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2005, the carrying amount of the Township's deposits was \$3,021,118 and the bank balance was \$2,112,908.

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2005, the Township accounts were insured by the FDIC for \$532,254 and the amount of \$1,580,654 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2005, the carrying amounts and market values for the investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name			
Federal Home Loan Mortgage Corporation	\$ 452,027	5-6 years	AAA
Federal National Mortgage Association	43,932	5-6 years	AAA
Federal Home Loan Bank	218,178	5-6 years	AAA
Government National Mortgage Association	120,197	5-6 years	AAA
MBIA - MI Class	104,607	120 days	N/A
U.S. Treasury Securities	<u>17,160</u>	8 years	AAA
	956,101		
Uncategorized pooled investment funds	<u>748,707</u>	N/A	N/A
	<u>\$ 1,704,808</u>		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2005, the Township investment in the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank, Government National Mortgage Association, and U.S. Treasury Securities investments were rated AAA by Standard and Poor's.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2005:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,384,582	\$ 609,907	\$ 941,719	\$ 2,936,208
Cash and cash equivalents - restricted	26,795	-	-	26,795
Investments	<u>1,698,276</u>	<u>-</u>	<u>67,242</u>	<u>1,765,518</u>
	<u>\$ 3,109,653</u>	<u>\$ 609,907</u>	<u>\$ 1,008,961</u>	<u>\$ 4,728,521</u>

The cash and cash equivalents captions in the basic financial statements include \$2,595 in petty cash.

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 12,330</u>
Transfers to Tollgate Drain Debt Service Fund from:	
Nonmajor governmental funds	<u>\$ 43,353</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 61,250
Nonmajor governmental funds	<u>5,300</u>
	<u>\$ 66,550</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2005:

Due to West Side Water District Fund from:	
General Fund	\$ 2,792
Due to nonmajor governmental funds from:	
Other nonmajor governmental funds	<u>6,867</u>
	<u>\$ 9,659</u>

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: ADVANCES RECEIVABLE AND PAYABLES

The following schedule details advances receivable and payable between the primary government at December 31, 2005:

Advance from nonmajor governmental funds to:	
West Side Water District Fund	<u>\$ 90,000</u>

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Balance Jan. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2005</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 12,411	\$ -	\$ -	\$ 12,411
Capital assets being depreciated				
Land improvements	645,152	-	-	645,152
Buildings and improvements	1,026,401	-	-	1,026,401
Machinery and equipment	861,129	101,916	10,702	952,343
Vehicles	1,070,619	17,492	-	1,088,111
Office equipment and furniture	<u>172,743</u>	<u>2,637</u>	<u>3,747</u>	<u>171,633</u>
Total capital assets being depreciated	3,776,044	122,045	14,449	3,883,640
Less accumulated depreciation for:				
Land improvements	(161,533)	(30,460)	-	(191,993)
Buildings and improvements	(679,687)	(29,119)	-	(708,806)
Machinery and equipment	(566,586)	(63,983)	(8,800)	(621,769)
Vehicles	(748,163)	(74,878)	-	(823,041)
Office equipment and furniture	<u>(99,907)</u>	<u>(15,401)</u>	<u>(3,747)</u>	<u>(111,561)</u>
Total accumulated depreciation	<u>(2,255,876)</u>	<u>(213,841)</u>	<u>(12,547)</u>	<u>(2,457,170)</u>
Net capital assets being depreciated	<u>1,520,168</u>	<u>(91,796)</u>	<u>1,902</u>	<u>1,426,470</u>
Net capital assets	<u>\$ 1,532,579</u>	<u>\$ (91,796)</u>	<u>\$ 1,902</u>	<u>\$ 1,438,881</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 33,951
Public safety	117,177
Public works	17,062
Health and welfare	30,613
Recreation and cultural	<u>15,038</u>
	<u>\$ 213,841</u>

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE F: CAPITAL ASSETS - CONTINUED

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Business-type activities				
Capital assets not being depreciated				
Land	\$ 27,701	\$ -	\$ -	\$ 27,701
Capital assets being depreciated				
Water system	5,248,323	13,407	-	5,261,730
Buildings and improvements	76,817	-	-	76,817
Office equipment and furniture	82,816	-	-	82,816
Equipment	<u>271,782</u>	<u>-</u>	<u>-</u>	<u>271,782</u>
Total capital assets being depreciated	5,679,738	13,407	-0-	5,693,145
Less accumulated depreciation for:				
Water system	(1,862,322)	(119,525)	-	(1,981,847)
Buildings and improvements	(40,833)	(3,055)	-	(43,888)
Office equipment and furniture	(53,857)	(9,841)	-	(63,698)
Equipment	<u>(165,906)</u>	<u>(19,952)</u>	<u>-</u>	<u>(185,858)</u>
Total accumulated depreciation	<u>(2,122,918)</u>	<u>(152,373)</u>	<u>-0-</u>	<u>(2,275,291)</u>
Net capital assets being depreciated	<u>3,556,820</u>	<u>(138,966)</u>	<u>-0-</u>	<u>3,417,854</u>
Net capital assets	<u>\$ 3,584,521</u>	<u>\$(138,966)</u>	<u>\$ -0-</u>	<u>\$ 3,445,555</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2005:

	Restated Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
2002 Sidewalk Improvement Bonds	\$ 60,000	\$ -	\$ 20,000	\$ 40,000	\$ 20,000
2002 Special Assessment Sidewalk Bonds	15,000	-	5,000	10,000	5,000
1996 City of Lansing Sewer Bonds - Tollgate #2	593,814	-	39,304	554,510	41,429
1996 County of Ingham Tollgate Drain Bonds	2,443,417	-	143,730	2,299,687	156,050
1999 Tollgate #2 Debt Service - Deficiency Bonds	81,875	-	39,300	42,575	42,575
2002 Special Assessment - Sewer System Bonds	440,000	-	20,000	420,000	25,000
Due to CATA - SBT Reimbursement	62,086	-	15,522	46,564	15,522
Accumulated compensated absences	<u>409,446</u>	<u>13,680</u>	<u>-</u>	<u>423,126</u>	<u>31,000</u>
	4,105,638	13,680	282,856	3,836,462	336,576

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

	Restated Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005	Amount Due Within One Year
PRIMARY GOVERNMENT - CONTINUED					
Business-type activities					
1996 Water Supply System					
No. 2 Bonds	\$ 360,000	\$ -	\$ 30,000	\$ 330,000	\$ 30,000
1998 Michigan Municipal Bonds	300,000	-	20,000	280,000	20,000
1999 Michigan Municipal Bonds	555,000	-	30,000	525,000	30,000
2003 John Deere Note	24,333	-	12,167	12,166	12,166
Accumulated compensated absences	24,875	10,859	-	35,734	3,573
	<u>1,264,208</u>	<u>10,859</u>	<u>92,167</u>	<u>1,182,900</u>	<u>95,739</u>
TOTAL PRIMARY GOVERNMENT	5,369,846	24,539	375,023	5,019,362	432,315
COMPONENT UNIT					
Downtown Development Authority					
2002 Ambulance Lease	53,069	-	16,803	36,266	17,675
2002 Wood Street Sanitary Sewer Note Payable	<u>183,660</u>	<u>-</u>	<u>36,732</u>	<u>146,928</u>	<u>36,732</u>
TOTAL COMPONENT UNIT	<u>236,729</u>	<u>-0-</u>	<u>53,535</u>	<u>183,194</u>	<u>54,407</u>
TOTAL REPORTING ENTITY	<u>\$ 5,606,575</u>	<u>\$ 24,539</u>	<u>\$ 428,558</u>	<u>\$ 5,202,556</u>	<u>\$ 486,772</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Direct Township Obligations

\$95,000 Sidewalk Improvement Bonds Series 2002, dated December 1, 2002, due in annual installments of \$20,000 through October 1, 2007, with an interest rate of 2.0 percent, payable semi-annually.	\$ 40,000
\$25,000 Special Assessment Sidewalk Bonds, due in annual installments of \$5,000 through October 1, 2007, with an interest rate of 2.0 percent, payable semi-annually.	10,000
\$848,760 City of Lansing Tollgate #2 Sewer Bonds Series 1996, dated August 3, 1996, due in annual installments ranging from \$41,429 to \$52,052 through August 1, 2017, with an interest rate of 2.25 percent, payable semi-annually.	554,510
\$3,346,865 County of Ingham Tollgate Drain Bonds Series 1996, dated October 1, 1996, due in annual installments ranging from \$156,050 to \$271,034 through October 1, 2016, with interest ranging from 4.8 percent to 6.8 percent, payable annually.	2,299,687
\$225,860 Tollgate #2 Debt Service Deficiency Bonds Series 1999, dated September 16, 1999, due in annual installments of \$42,575 through September 1, 2006, with an interest rate of 4.9 percent, payable annually.	42,575

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Direct Township Obligations - continued

\$465,000 Special Assessment Sewer System Improvement Bonds Series 2002, dated October 1, 2002, due in annual installments ranging from \$5,000 to \$25,000 through October 1, 2022, with interest ranging from 3.0 percent to 6.0 percent, payable semi-annually. \$ 420,000

\$490,000 Water Supply System No. 2 Bonds Series 1998, dated August 1, 1995, due in annual installments of \$30,000 through April 1, 2016, with interest ranging from 5.2 percent to 6 percent, payable semi-annually. 330,000

\$397,981 Michigan Municipal Bond Authority Series 1998, dated September 29, 1998, due in annual installments ranging from \$20,000 to \$25,000 through October 1, 2018, with an interest rate of 2.5 percent, payable semi-annually. 280,000

\$704,392 Michigan Municipal Bond Authority Series 1999, dated June 24, 1999, due in annual installments ranging from \$30,000 to \$45,000 through October 1, 2019, with an interest rate of 2.5 percent, payable semi-annually. 525,000

Total Direct Township Obligations \$ 4,501,772

Note Payable

\$36,500 John Deere Note, dated October 20, 2003, due in annual installments of \$12,166 through October 1, 2006. \$ 12,166

Due to CATA - SBT Reimbursement

Past-due amounts payable to Capital Area Transportation Authority, arising from non-payment of Single Business Tax Inventory Reimbursements for 2000 - 2003. \$ 46,564

COMPONENT UNIT

\$84,229 Wheeled Coach Type III Ambulance lease dated August 1, 2002, due in annual installments ranging from \$17,675 to \$18,592 through August 1, 2007, with interest of 5.2 percent, payable annually. \$ 36,266

\$183,660 Ingham County Road Commission Wood Street Sanitary Sewer note dated July 31, 2002, due in annual installments of \$36,732 starting April 1, 2005 through April 1, 2009, payable annually. 146,928

Total Component Unit Obligations \$ 183,194

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for bonds, notes, and leases payable are as follows:

PRIMARY GOVERNMENT

Year Ending December 31,	2002 Sidewalk Improvement Bonds		2002 Special Assessment Sidewalk Bonds		1996 City of Lansing Tollgate #2 Sewer Bonds		1996 County of Ingham Tollgate Drain Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 20,000	\$ 1,600	\$ 5,000	\$ 400	\$ 41,429	\$ 12,418	\$ 156,050	\$ 108,465
2007	20,000	800	5,000	200	41,429	11,486	164,263	99,217
2008	-	-	-	-	42,491	10,554	172,476	91,135
2009	-	-	-	-	43,553	9,598	184,796	82,561
2010	-	-	-	-	45,616	8,618	193,009	73,493
2011-2015	-	-	-	-	237,951	27,625	1,158,059	211,780
2016-2020	-	-	-	-	102,041	3,373	271,034	6,573
2021-2024	-	-	-	-	-	-	-	-
	<u>\$ 40,000</u>	<u>\$ 2,400</u>	<u>\$ 10,000</u>	<u>\$ 600</u>	<u>\$ 554,510</u>	<u>\$ 83,672</u>	<u>\$ 2,299,687</u>	<u>\$ 673,224</u>

Year Ending December 31,	1999 Tollgate #2 Debt Service Bonds		2002 Special Assessment Sewer Improvement Bonds		1996 Water Supply System #2 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 42,575	\$ 2,107	\$ 25,000	\$ 17,955	\$ 30,000	\$ 18,135
2007	-	-	25,000	16,455	30,000	16,530
2008	-	-	30,000	14,955	30,000	14,895
2009	-	-	30,000	14,055	30,000	13,230
2010	-	-	30,000	13,095	30,000	11,535
2011-2015	-	-	125,000	50,863	150,000	31,350
2016-2020	-	-	125,000	24,688	30,000	900
2021-2024	-	-	30,000	1,750	-	-
	<u>\$ 42,575</u>	<u>\$ 2,107</u>	<u>\$ 420,000</u>	<u>\$ 153,816</u>	<u>\$ 330,000</u>	<u>\$ 106,575</u>

Year Ending December 31,	1998 Michigan Municipal Bonds		1999 Michigan Municipal Bonds		John Deere Note Payable		Due to CATA SBT Reimbursement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 20,000	\$ 6,999	\$ 30,000	\$ 13,125	\$ 12,166	\$ -	\$ 15,522	\$ -
2007	20,000	6,498	30,000	12,375	-	-	15,521	-
2008	20,000	5,999	35,000	11,625	-	-	15,521	-
2009	20,000	5,498	35,000	10,750	-	-	-	-
2010	20,000	4,999	35,000	9,875	-	-	-	-
2011-2015	105,000	16,992	190,000	35,875	-	-	-	-
2016-2020	75,000	3,745	170,000	10,875	-	-	-	-
2021-2024	-	-	-	-	-	-	-	-
	<u>\$ 280,000</u>	<u>\$ 50,730</u>	<u>\$ 525,000</u>	<u>\$ 104,500</u>	<u>\$ 12,166</u>	<u>\$ -0-</u>	<u>\$ 46,564</u>	<u>\$ -0-</u>

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT

Year Ending December 31,	<u>2002 Ambulance Lease</u>		<u>Ingham County Road Commission Wood Street Sewer Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 17,675	\$ 1,882	\$ 36,732	\$ -
2007	18,591	965	36,732	-
2008	-	-	36,732	-
2009	-	-	36,732	-
	<u>\$ 36,266</u>	<u>\$ 2,847</u>	<u>\$ 146,928</u>	<u>\$ -0-</u>

Accrued Compensated Absences - Governmental Activities

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$423,126 at December 31, 2005. The amounts of \$31,000 and \$392,126 have been reported as current and noncurrent liabilities, respectively.

Accrued Compensated Absences - Business-Type Activities

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$35,734 at December 31, 2005. The amounts of \$3,573 and \$32,161 have been reported as current and noncurrent liabilities, respectively.

NOTE H: RETIREMENT PLAN

The Township has a defined contribution pension plan covering all full time employees. This benefit is an insurance-type plan administered under the provisions of Section 401(a) of the Internal Revenue Code. The plan is administered by Massachusetts Mutual Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The plan requires the employer to contribute fifteen percent of the participating employee's gross wages up to \$32,500, with complete vesting within four years.

During the year, the Township's required and actual contributions amounted to \$214,105 which was fifteen percent of its current year covered payroll.

NOTE I: RISK MANAGEMENT

The Township is exposed to various risks of loss for liability, property, automobile, and employer's liability for which the Township carries commercial insurance.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: RISK MANAGEMENT - CONTINUED

The Township also participates in a pool, the Michigan Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE J: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of December 31, 2005:

General Fund	
Reserved for prepaids	<u>\$ 72,192</u>
 Tollgate Drain Debt Service Fund	
Reserved for debt service	<u>\$ 988,867</u>
 Nonmajor governmental funds	
Reserved for debt service	\$ 137,529
Reserved for capital projects	<u>597,801</u>
	<u>\$ 735,330</u>

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2005:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Debt retirement	<u>\$ 1,077,989</u>
 Other purposes	
Street lighting	\$ 19,092
Sidewalks	46,749
Drug law enforcement	<u>14,951</u>
	<u>\$ 80,792</u>

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the required supplementary information, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The Township's budgeted expenditures for nonmajor Special Revenue Funds are not required to be reported in the financial statements. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

During the year ended December 31, 2005 the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Legislative	\$ 50,868	\$ 53,612	\$ 2,744
Clerk	239,809	239,850	41
Health and welfare	45,670	45,678	8
Transfers out	40,050	61,250	21,200

NOTE M: BUILDING AND ZONING FINANCIAL INFORMATION

The Township elected to report the financial activities of the building and zoning department in the General Fund. The following is the required information as it relates to this department for the year ended December 31, 2005:

REVENUES	
Building permits	\$ 48,051
EXPENDITURES	
Salaries and fringes	42,653
Supplies and other	<u>38,708</u>
TOTAL EXPENDITURES	<u>81,361</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(33,310)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(54,128)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$(87,438)</u></u>

NOTE N: WHOLESALE WATER SERVICE AGREEMENT

The Township entered into an agreement with the Board of Water and Light on June 28, 1995, to purchase conditioned potable water and to provide raw water to the Board. For the year ended December 31, 2005, the Township incurred water charges of \$105,295.

NOTE O: ECONOMIC DEPENDENCY

Approximately 19% of the property tax revenue and 13.5% of water charges for services is generated by property taxes levied and water collections, respectively, on a single organization, General Motors. Any reductions in this revenue could have a significant impact on the Charter Township of Lansing's operations.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE P: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	December 31, <u>2005</u>	<u>2004</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Long-term debt	\$ -	\$(183,660)	To reclassify long-term debt of the DDA
Net assets - beginning	183,660	-	
Accounts receivable	-	132,407	To correct understated receivables related to ambulance runs
Net assets - beginning	132,407	-	
COMPONENT UNIT FUNDS			
Downtown Development Authority			
Long-term debt	-	183,660	To reclassify long-term debt of the DDA
Net assets - beginning	(183,660)	-	

NOTE Q: CONTINGENT LIABILITIES

There is one (1) material legal action pending against Lansing Charter Township, challenging the property tax assessment. The Township's attorney states that the likelihood of an unfavorable outcome in this case is neither probable nor remote. No additional liability has been recorded in the financial statements related to this action.

NOTE R: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the Township provides certain health care benefits and insurance, in accordance with union agreements and/or personnel policies to retired elected officials. For part-time elected officials the Township will pay 50% of medical insurance premiums for single or two-party coverage, whichever they qualify for, after 20 years of service and age 55. For full-time elected officials the Township will pay for 50% of medical benefits after 16 years of service and age 55 and 100% of medical benefits after 20 years of service and age 55.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently release Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Lansing

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 2,408,055	\$ 2,429,415	\$ 2,434,038	\$ 4,623
Licenses and permits	123,815	117,478	119,973	2,495
Intergovernmental	743,387	834,642	819,024	(15,618)
Charges for services	239,665	259,315	284,225	24,910
Fines and forfeits	6,100	5,605	4,740	(865)
Interest and rents	74,565	95,565	92,691	(2,874)
Other	46,300	28,633	24,116	(4,517)
TOTAL REVENUES	3,641,887	3,770,653	3,778,807	8,154
EXPENDITURES				
General government				
Legislative	49,176	50,868	53,612	(2,744)
Executive	139,069	139,294	137,729	1,565
Clerk	240,235	239,809	239,850	(41)
Treasurer	121,292	122,448	121,263	1,185
Assessor	33,947	35,446	35,229	217
Elections	7,650	25,555	1,509	24,046
Hall and grounds	93,655	86,063	81,361	4,702
Attorney	75,000	81,000	79,509	1,491
Other	192,461	184,783	180,078	4,705
Total general government	952,485	965,266	930,140	35,126
Public safety				
Police department	1,310,224	1,304,270	1,287,102	17,168
Fire department	1,436,215	1,488,669	1,453,744	34,925
Building inspection	66,877	67,658	65,983	1,675
Total public safety	2,813,316	2,860,597	2,806,829	53,768
Public works	52,400	52,400	29,579	22,821
Health and welfare	46,820	45,670	45,678	(8)
Community and economic development	17,680	9,532	6,485	3,047
Recreation and cultural	16,285	24,022	20,582	3,440
TOTAL EXPENDITURES	3,898,986	3,957,487	3,839,293	118,194
EXCESS OF REVENUES (UNDER) EXPENDITURES	(257,099)	(186,834)	(60,486)	126,348

Charter Township of Lansing

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 12,000	\$ 12,000	\$ 12,330	\$ 330
Transfers out	-	(40,050)	(61,250)	(21,200)
TOTAL OTHER FINANCING SOURCES (USES)	12,000	(28,050)	(48,920)	(20,870)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(245,099)	(214,884)	(109,406)	105,478
Fund balance, beginning of year	438,386	438,386	438,386	-0-
Fund balance, end of year	<u>\$ 193,287</u>	<u>\$ 223,502</u>	<u>\$ 328,980</u>	<u>\$ 105,478</u>

OTHER SUPPLEMENTARY INFORMATION

Charter Township of Lansing
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
December 31, 2005

	Special Revenue Funds			
	Street Lights	Budget Stabilization	Drug Law Enforcement	Liquor License
ASSETS				
Cash and cash equivalents	\$ 53,398	\$ -	\$ 14,951	\$ -
Investments	-	100,000	-	-
Taxes receivable	90,951	-	-	-
Special assessments receivable	-	-	-	-
Due from other funds	-	-	-	-
Advance to other funds	-	-	-	-
TOTAL ASSETS	\$ 144,349	\$ 100,000	\$ 14,951	\$ -0-
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	125,257	-	-	-
TOTAL LIABILITIES	125,257	-0-	-0-	-0-
FUND BALANCES				
Reserved for				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved				
Undesignated, reported in				
Special revenue funds	19,092	100,000	14,951	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES	19,092	100,000	14,951	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 144,349	\$ 100,000	\$ 14,951	\$ -0-

Debt Service Funds			Capital Projects Funds	
Building Authority	Sanitary Sewer	Sidewalks	Capital Improvement	Sidewalks
\$ 346	\$ 91,395	\$ 2,559	\$ 145,584	\$ 51,064
-	-	-	-	-
-	-	-	-	-
-	329,472	6,364	-	2,552
-	-	6,867	-	-
-	-	-	-	-
<u>\$ 346</u>	<u>\$ 420,867</u>	<u>\$ 15,790</u>	<u>\$ 145,584</u>	<u>\$ 53,616</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,867
-	295,325	4,149	-	-
-0-	295,325	4,149	-0-	6,867
346	125,542	11,641	-	-
-	-	-	-	46,749
-	-	-	-	-
-	-	-	145,584	-
<u>346</u>	<u>125,542</u>	<u>11,641</u>	<u>145,584</u>	<u>46,749</u>
<u>\$ 346</u>	<u>\$ 420,867</u>	<u>\$ 15,790</u>	<u>\$ 145,584</u>	<u>\$ 53,616</u>

Charter Township of Lansing

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Capital Projects Funds - continued			Total Nonmajor Governmental Funds
	Parks	Sanitary Sewer	Drains	
ASSETS				
Cash and cash equivalents	\$ 32,082	\$ 5,649	\$ 87,723	\$ 484,751
Investments	-	-	367,680	467,680
Taxes receivable	-	-	-	90,951
Special assessments receivable	-	-	-	338,388
Due from other funds	-	-	-	6,867
Advance to other funds	-	-	90,000	90,000
TOTAL ASSETS	\$ 32,082	\$ 5,649	\$ 545,403	\$ 1,478,637
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ 6,867
Deferred revenue	-	-	-	424,731
TOTAL LIABILITIES	-0-	-0-	-0-	431,598
FUND BALANCES				
Reserved for				
Debt service	-	-	-	137,529
Capital projects	-	5,649	545,403	597,801
Unreserved				
Undesignated, reported in				
Special revenue funds	-	-	-	134,043
Capital projects funds	32,082	-	-	177,666
TOTAL FUND BALANCES	32,082	5,649	545,403	1,047,039
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,082	\$ 5,649	\$ 545,403	\$ 1,478,637

Charter Township of Lansing

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

	Special Revenue Funds			
	Street Lights	Budget Stabilization	Drug Law Enforcement	Liquor License
REVENUES				
Taxes	\$ 48,948	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	12,330
Interest and rents	839	-	255	-
Other	74,057	-	744	-
TOTAL REVENUES	123,844	-0-	999	12,330
EXPENDITURES				
Current				
Public works	127,018	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	127,018	-0-	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,174)	-0-	999	12,330
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(12,330)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	(12,330)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,174)	-0-	999	-0-
Fund balances, beginning of year	22,266	100,000	13,952	-
Fund balances, end of year	\$ 19,092	\$ 100,000	\$ 14,951	\$ -0-

Debt Service Funds			Capital Projects Funds	
Building Authority	Sanitary Sewer	Sidewalks	Capital Improvement	Sidewalks
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
36	21,955	533	3,057	1,748
-	21,207	4,583	-	4,087
36	43,162	5,116	3,057	5,835
-	-	-	-	-
-	-	-	23,046	-
-	39,655	27,994	-	-
-0-	39,655	27,994	23,046	-0-
36	3,507	(22,878)	(19,989)	5,835
-	-	26,500	40,050	-
-	-	-	-	(5,300)
-0-	-0-	26,500	40,050	(5,300)
36	3,507	3,622	20,061	535
310	122,035	8,019	125,523	46,214
\$ 346	\$ 125,542	\$ 11,641	\$ 145,584	\$ 46,749

Charter Township of Lansing

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2005

	Capital Projects Funds - continued			Total Nonmajor Governmental Funds
	Parks	Sanitary Sewer	Drains	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 48,948
Licenses and permits	-	-	-	12,330
Interest and rents	152	-	8,321	36,896
Other	-	-	-	104,678
TOTAL REVENUES	152	-0-	8,321	202,852
EXPENDITURES				
Current				
Public works	-	-	500	127,518
Capital outlay	1,200	-	28,634	52,880
Debt service	-	-	-	67,649
TOTAL EXPENDITURES	1,200	-0-	29,134	248,047
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,048)	-0-	(20,813)	(45,195)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	66,550
Transfers out	-	-	(43,353)	(60,983)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(43,353)	5,567
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,048)	-0-	(64,166)	(39,628)
Fund balances, beginning of year	33,130	5,649	609,569	1,086,667
Fund balances, end of year	<u>\$ 32,082</u>	<u>\$ 5,649</u>	<u>\$ 545,403</u>	<u>\$ 1,047,039</u>

Charter Township of Lansing

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2005

	<u>Agency Funds</u>		
	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 41,637	\$ 900,082	\$ 941,719
Investments	-	1,187	1,187
TOTAL ASSETS	<u>\$ 41,637</u>	<u>\$ 901,269</u>	<u>\$ 942,906</u>
LIABILITIES			
Due to other governmental units			
Local	<u>\$ 41,637</u>	<u>\$ 901,269</u>	<u>\$ 942,906</u>

Charter Township of Lansing

Component Unit Fund

BALANCE SHEET

December 31, 2005

	Downtown Development Authority
ASSETS	
Cash and cash equivalents	\$ 609,907
Taxes receivable	671,570
Due from other governmental units	<u>23,433</u>
TOTAL ASSETS	<u><u>\$ 1,304,910</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 310,819
Due to primary government	30,814
Deferred revenue	<u>736,848</u>
TOTAL LIABILITIES	1,078,481
FUND BALANCE	
Unreserved - undesignated	<u>226,429</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,304,910</u></u>

Charter Township of Lansing

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2005

Fund balance - governmental fund \$ 226,429

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.

Long-term liabilities at year-end consist of:

Long-term obligation	(183,194)	
Accrued interest payable	<u>(784)</u>	
		<u>(183,978)</u>

Net assets of governmental activities \$ 42,451

Charter Township of Lansing

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended December 31, 2005

	Downtown Development Authority
REVENUES	
Taxes	\$ 614,788
Interest	4,798
TOTAL REVENUES	619,586
EXPENDITURES	
Current	
Community and economic development	347,458
Debt service	56,289
Capital outlay	37,620
TOTAL EXPENDITURES	441,367
EXCESS OF REVENUES OVER EXPENDITURES	178,219
Fund balance, beginning of year	48,210
Fund balance, end of year	\$ 226,429

Charter Township of Lansing

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
- DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended December 31, 2005

Net change in fund balance	\$ 178,219
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Amounts reported for governmental activities in the statement of activities are different because:

Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Principal retirement	53,535
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>364</u>
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Change in net assets of governmental activities	<u><u>\$ 232,118</u></u>
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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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MANAGEMENT LETTER

To the Members of the Township Board
Charter Township of Lansing
Lansing, Michigan

As you know, we have recently completed our audit of the records of the Charter Township of Lansing, Michigan as of and for the year ended December 31, 2005. In connection with the audit, we feel that a change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control and our discussions with management.

The Township should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the Township had outstanding checks listed on their Current Tax and Fire Department bank reconciliations that were up to four (4) years old. The Michigan Public Act 29 of 1995 provides that the Department report and escheat unclaimed property to the State of Michigan in the year after they have been outstanding for more than one year.

We suggest the Township attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the Township review their unclaimed property and escheat funds to the State of Michigan as necessary.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. This condition did not affect our report on the financial statements dated March 24, 2006.

This report is intended solely for the information of management and the Members of the Board of Trustees of the Charter Township of Lansing and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 24, 2006